

Date: May 27, 2015

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Marvin G. Williams, Director of Public Works
Subject: Project Management Services for Installation of Fiber Optic Cable (ST-277)

Executive Summary

The purpose of this contract is the provision of professional services for Right-Of-Way Permitting, Utility Location, Construction Inspection and Project Management Services for the Installation of Fiber Optic Cable City-Wide by multiple corporations. The consultant, Kimley-Horn and Associates, Inc., will function as an extension of the City Staff who routinely provide these services for private utility work in the public right-of-way. The contract is needed because the department does not possess the personnel and equipment resources necessary to address such an immediate but limited-term increase in workload.

The estimated cost for these services over a multi-year time frame is estimated at approximately \$2.4M, with a variable annual cost that is currently projected to be \$995,000 through December 2015. This variability is due to multiple unknown factors such as the number of major companies that may enter the market at the same time, the proposed build out schedules of each, or the level of oversight desired by City Council to protect the City's infrastructure. Because of the uncertainty the contract is structured with the flexibility to immediately adjust to fluctuations of volume or desired levels of oversight. Only the services that are needed will be used and all services will be charged hourly on an as-needed basis.

Recommendation

The Administration recommends that the City Council authorize the City Manager to execute a contract with Kimley-Horn and Associates, Inc. for the installation of fiber optic cable city-wide in the amount of \$995,000.00 for the remainder of the calendar year; and authorize the City Manager to negotiate and extend the contract, so long as the total contract cost does not exceed \$2,400,000.00.

Background

The Department of Public Works is responsible for the review, permitting, utility location and inspection of work done to install new utilities in the public rights-of-way. Several firms have recently announced their intention to build substantial fiber optic networks in the City of Durham. Current estimates from only two of the multiple fiber installation companies indicate that by December, 2015, 20+ crews will be working concurrently, increasing up to 55 crews working concurrently at the peak of the build out. Over 2,000 miles of fiber will be installed (approximately ½ of that will be underground) throughout the City of Durham over the proposed 2-3 year build out.

The planned timeframes for build out of those networks by the various companies

significantly exceeds the Department's current capacity to review and approve the permits or to inspect construction of these new utilities. City staff does not have the personnel to support this scale of permitting, locating and construction inspections.

It is imperative that the detailed plans for the installation of the fiber cable be properly reviewed and permitted. It is equally critical that during construction the City water, sewer and storm water infrastructure in the rights-of-way be properly located in a timely manner, and lastly, that the construction work be continuously inspected for adherence to City standards and for the protection of City infrastructure. As a result it is necessary to obtain the professional services proposed by Kimley-Horn and Associates to augment City staff in this important project.

The Department of Public Works issued a Request for Qualifications for engineering firms to provide the required services for Permitting, Utility Location, Construction Inspection and Project Management Service. Statements of qualifications were received from six firms. The qualifications statements were evaluated using criteria that included the firm's experience with similar work, their overall understanding of the City's requested scope, as well as the City's permitting process. Two firms were selected to provide presentations to the selection committee on their qualifications and approach to the project. Following the presentations, the selection committee recommended that the contract be awarded to Kimley-Horn and Associates. City staff then met with Kimley-Horn to negotiate the scope of services and establish a fee schedule.

The department has considered several options to address the anticipated increase in the volume of work, as well as options to recuperate some of the costs associated with the review, permitting, utility location, and inspection of these permits. Options to address the workload are listed in the Alternatives section below. Additional analysis to address both the workload and the cost recovery can be found in the attached presentation.

Issues/Analysis

Contract Administration and Inspections Services for City construction projects are routinely contracted for with qualified engineering consulting firms. The services provided by the firms are necessary to augment the capacity of City staff to manage and administer the construction contracts. This project is not only similar to many others, but also unique due to the requirement for assistance with permitting and utility locations, as well as the scale and extent of the construction proposed for these large scale fiber installations.

Using the current fee schedule for the installation of private utilities in the public right of way, the anticipated revenues generated will be insufficient to cover the costs of permitting and inspecting the work, and in locating the City's underground infrastructure. Revenue assessments have been calculated based on the tiered fee schedule reflected in Ordinance 14021.

Alternatives

Option A – Consultant Services as Currently Proposed. This option is recommended because it addresses the immediate increase in work volume and provides the flexibility to adjust to fluctuations in the build out schedules. This option is also recommended in combination with Option B.

Option B – Increase Permit Fees. Multiple fee scenarios have been analyzed in the

attached presentation. This option is recommended in combination with Option A. This option may also be combined with Option D. This option addresses the failure of the current fee schedule to address the cost of the administration of the current private utility program and will provide for the recovery of a more significant portion of the costs to address the anticipated volume of work.

Option C – Existing Staff Only (no Consultant). This option is not recommended. The department does not possess the personnel and equipment resources necessary to fully address the current workload, exclusive of any the anticipated fiber installation projects. Permit reviews and utility locates would be delayed for all private utility work, and construction activity completed by private contractors for fiber would not be properly supervised and inspected, with potential problems and long-term damage to existing infrastructure going undocumented and unresolved.

Option D – Consultant Services with lower Service Levels. This option would provide assistance with the anticipated work volume, but would not be able to provide the full level of oversight needed to manage the projected number of construction crews; thus allowing for potential problems and long-term damage to existing infrastructure to go undocumented and unresolved.

Option E – Hire Full-Time Temporary Staff. This option is not recommended. The time and effort it would take to advertise, hire, train and equip qualified staff is expected to be in excess of 6 months. Permit review and utility locates would be delayed for all private utility work, and construction activity completed by private contractors for fiber installation in the public right of way would not be properly supervised and inspected during this time. In addition, the use of hired staff would require the department to carry the salaries of those positions through the fluctuations in volume.

Option F – Combination of Option D and Option E. This option is not recommended.

Financial Impact

The project will be funded with lapsed salaries from the departmental budget for FY 2014-15. Additional funding for FY 2015-16 has been requested with a New Initiative as the department will be unable to absorb this added expense with current appropriations. Funds are available in the following account:

FY15: 0L030000 – 725000	\$600,000.00
FY16: 0L030000 – 725000	\$395,000.00
Total	\$995,000.00

SDBE REQUIREMENTS

Kimley-Horn and Associates, Inc. will subcontract to the following certified firms:

Firm	ID	City/State	Amount	% of Contract
MA Engineering Consultants, Inc.	SDBE*	Cary, NC	\$ 125,000.00	12.5%
SEPI Engineering, & Construction	WSDBE	Raleigh, NC	\$ 230,000.00	23%

*MA Engineering Consultants, Inc. is an Asian American SDBE firm and was used to fulfill the MSDBE goal requirement for this project in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

The MSDBE and WSDBE goals were exceeded.

WORKFORCE STATISTICS

Workforce statistics for Kimley-Horn and Associates, Inc. are as follows:

Total Workforce	187	
Total Females	72	(39%)
Total Males	115	(61%)
Black Males	2	(1%)
White Males	110	(59%)
Other Males	3	(2%)
Black Females	2	(1%)
White Females	67	(35%)
Other Females	3	(2%)